Kansas City Area Transportation Authority

Financial Report
December 31, 2018

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

Contents

Independent auditor's report	1-2
Management's discussion and analysis	3-9
Basic financial statements	
Statements of net position	10-11
Statements of revenues, expenses and changes in net position	12
Statements of cash flows	13-14
Statements of fiduciary net position—pension plan	15
Statements of changes in fiduciary net position—pension plan	16
Notes to basic financial statements	17-44
Required supplementary information	
Schedule of changes in net pension liability	45-48
Schedule of net pension liability and related ratios	49-52
Schedule of employer contributions	53
Schedule of investment returns	54
Schedule of changes in the Authority's total OPEB liability and related ratios	55
Supplementary information	
Combining statement of net position, by division	56-57
Combining statement of revenues, expenses and changes in net position, by division	58
Note to other supplementary information	59

RSM

RSM US LLP

Independent Auditor's Report

To the Board of Commissioners
Kansas City Area Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary fund of the Kansas City Area Transportation Authority (the Authority) as of and for the years ended December 31, 2018 and 2017, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Pension Trust Fund were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary fund of the Kansas City Area Transportation Authority, as of December 31, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

Emphasis of Matter
As discussed in Note 8 to the financial statements, the Authority adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which restated beginning net position of the business-type activities financial statements to record the total OPEB liability. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and pension and other postemployment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Kansas City Area Transportation Authority. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated April 10, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

Kansas City, Missouri
April 10, 2019

Kansas City Area Transportation Authority

Management's Discussion and Analysis
Year Ended December 31, 2018

The following management's discussion and analysis of the Kansas City Area Transportation Authority's (the Authority) financial performance provides an overview of the financial activities for the fiscal years ended December 31, 2018 and 2017. Please read it in conjunction with the Authority's basic financial statements and notes.

Financial Highlights for Fiscal Year 2018 vs. 2017

- Net position of the Authority increased by $17.3 million or (14) percent in 2018 over 2017 primarily attributable to an increase of $17.4 million of capital related federal funding recovery.
- In April of 2004, Kansas City, Missouri retailers began collecting the 3/8-cent sales tax approved in November 2003 by citizens of Kansas City, Missouri (the City) to support public transit and the Authority. The sales tax was renewed, effective April 2009, for 15 years through March 2024. A total of $348,789,902 had been received by the Authority from the 3/8-cent sales tax from inception through December 2018.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during fiscal year 2018. The beginning net position for the Authority was restated ($8,679,799) to retroactively report the total other postemployment benefits (OPEB) liability as of January 1, 2018. The financial statement amounts for fiscal year 2017 OPEB obligation, OPEB expense and deferred inflows of resources were not restated because information was not available.

Financial Highlights for Fiscal Year 2017 vs. 2016

- Net position of the Authority increased by $2.7 million or (2) percent in 2017 over 2016 primarily attributable to an increase of capital related federal funding recovery along with lower expenses for public liability and property damage claims.
- In April of 2004, Kansas City, Missouri retailers began collecting the 3/8-cent sales tax approved in November 2003 by citizens of Kansas City, Missouri (the City) to support public transit and the Authority. The sales tax was renewed, effective April 2009, for 15 years through March 2024. A total of $316,391,283 had been received by the Authority from the 3/8-cent sales tax from inception through December 2017.

Overview of the Financial Statements

This report consists of three parts: Management's Discussion and Analysis, Basic Financial Statements and Required Supplementary Information. The basic financial statements also include notes that provide more detail for some of the data presented.

Components of the Financial Statements

Basic Financial Statements. The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applied to an enterprise fund using the accrual basis of accounting. Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred.

The Authority's basic statements are the statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows.

The statements of net position report the difference between the Authority's assets and liabilities, and provides one way to measure the Authority's financial health or position.

The statements of revenues, expenses and changes in net position report all of the revenues earned and expenses incurred during the current fiscal year.

The statements of cash flows provide information on the Authority's cash receipts and cash payments during the reporting period.

The statements of fiduciary net position and changes in fiduciary net position provide information about the Authority's Pension Trust Fund in which the Authority acts solely as a trustee or agent for the benefit of others. The resources of this fund are not available to support the Authority's programs or operations. This fund is comprised of the activity of the Authority's Salaried Employees Retirement Plan.

The basic financial statements can be found on pages 10–16 of this report and represent combined results for Fixed Route and RideKC Freedom operating divisions.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements, such as the Authority's accounting methods and policies. The notes to basic financial statements can be found on pages 17 through 44 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees and also information regarding the Authority's other postemployment benefit plan. Required supplementary information can be found on pages 45 through 55 of this report.

Changes in Net Position

Fiscal Year 2018 vs. 2017

The Authority's assets exceeded liabilities by $141.2 million as of December 31, 2018.

The largest portion of the Authority's net position, $121.3 million reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles). The next largest portion is related to $43.4 million of restricted balances: (1) restricted for the replacement of capital assets and (2) 3/8-cent sales tax not yet applied to operations. Unrestricted net position decreased from negative $14.2 million in 2017 to a negative $23.5 million as increases of $3.7 million for current assets, $7.6 million for designated cash and investments and $3.7 million of deferred outflows for pension plans were offset by increases to liabilities of $10.1 million for funds due to other governments resulting primarily from Kansas City, Missouri funding for the Prospect MAX project, $8.6 million for OPEB and $6.4 for the pension funds.

Fiscal Year 2017 vs. 2016

The Authority's assets exceeded liabilities by $132.6 million as of December 31, 2017.

The largest portion of the Authority's net position, $97.0 million reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles). The next largest portion is related to $49.8 million of restricted balances: (1) restricted for the replacement of capital assets and (2) 3/8-cent sales tax not yet applied to operations. Unrestricted net position decreased from negative $8.26 million in 2016 to a negative $14.2 million due to reductions in current assets primarily associated with cash and investments, decreased designated cash and investments and increased amounts of deferred inflows of resources due to the difference between expected and actual union pension plan experience.

Table 1 - Condensed Statements of Net Position
As of December 31, 2018, 2017 and 2016

	2018	2017	2016
Current and other assets	**$ 82,671,603**	$ 77,422,597	$ 83,989,850
Capital assets, net	**121,331,222**	97,018,511	86,313,417
Total assets	**204,002,825**	174,441,108	170,303,267
Deferred outflows of resources	**9,959,259**	6,289,115	5,530,111
Current and other liabilities	**26,465,764**	14,703,787	14,109,176
Noncurrent liabilities	**43,286,332**	29,956,707	30,154,837
Total liabilities	**69,752,096**	44,660,494	44,264,013
Deferred inflows of resources	**2,979,502**	3,442,102	1,688,620
Net position:			
Investment in capital assets	**121,331,222**	97,018,511	86,313,417
Restricted	**43,446,962**	49,797,963	51,829,170
Unrestricted	**(23,547,698)**	(14,188,847)	(8,261,842)
Total net position	**$ 141,230,486**	$ 132,627,627	$ 129,880,745

Fiscal Year 2018
A portion of the Authority's net position, $43.4 million, represents resources that are subject to external restrictions on how resources may be used. The restrictions are set by sales tax legislation and contracts with local jurisdictions. The restricted net position includes local contributions restricted for the replacement of capital assets and 3/8-cent sales tax funds which have not yet been applied to operations.

The $5.2 million or 6.8 percent increase in current and other assets in 2018 compared to the prior year is attributable to an increase of $3.8 million in current assets primarily related to funds due from Federal sources, an increase of $7.5 million in designated cash and investments due to increases in the operating liabilities fund with a decrease of $6.1 million to non-current restricted cash and investments related to usage of local capital funds.

Capital assets, net, increased by $24.3 million or 25.0 percent over 2017. The change was the result of land and building purchases of $3.8 million, revenue vehicle purchases of $16.3 million, capital projects in progress increasing by $5.5 million, reduced by a $1.3 million increase in accumulated depreciation.

The Authority experienced an increase of $11.8 million or 80.0 percent in current and other liabilities from 2017. This increase was due to increases of $1.9 million in accounts payable and $9.8 million in unearned revenue and due to other governments primarily related to Kansas City, Missouri funds for the Prospect MAX project.

Noncurrent liabilities experienced an increase of $13.3 million or 44 percent primarily due to decreases to risk management and workmen's compensation claims of $930 thousand and health insurance accruals of $850 thousand along with increases to OPEB of $8.6 million and $6.4 million of pension obligation.

Fiscal Year 2017
A portion of the Authority's net position, $49.8 million, represents resources that are subject to external restrictions on how resources may be used. The restrictions are set by sales tax legislation and contracts with local jurisdictions. The restricted net position includes local contributions restricted for the replacement of capital assets and 3/8-cent sales tax funds which have not yet been applied to operations.

A majority of the $6.6 million or 7.8 percent decrease in current and other assets in 2017 compared to the prior year is primarily attributable to a decrease in current assets and an increase in both the non-current restricted and designated cash and investments.

Capital assets, net, increased by $10.7 million or 12.4 percent over 2016. The change was the result of land purchases of $3.4 million, capital projects in progress increasing by $5.8 million and an increase of $1.5 million in depreciable assets primarily attributed to lower accumulated depreciation.

The Authority experienced an increase of $595 thousand or 4.2 percent in current and other liabilities from 2016. This increase was due to increases of $980 thousand in accounts payable, $195 thousand in accrued payroll liabilities, $320 thousand in other liabilities and $570 thousand in unearned revenue along with decreases of $1.2 million in compensated absences and $250 thousand for liability and property damage claims.

Noncurrent liabilities experienced a decrease of $198 thousand or .66 percent primarily due to decreases to risk management and workmen's compensation claims of $850 thousand and net pension liability of $540 thousand along with increases to OPEB of $800 thousand and compensated absences of $380 thousand.

Table 2 - Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018, 2017 and 2016

	2018	2017	2016
Operating revenues:			
Passenger revenues	**$ 9,437,354**	$ 9,402,016	$ 10,778,789
Charter and stadium express	**2,438**	500	12,440
Other	**358,490**	397,833	579,704
Total operating revenues	**9,798,282**	9,800,349	11,370,933
Nonoperating revenues:			
Investment income	**1,143,778**	700,457	723,393
Operating funding	**81,056,635**	78,363,634	78,500,066
Capital related grants and funding	**31,790,151**	14,379,078	5,240,796
Federal grant revenue received for subrecipients	**2,207,891**	1,471,999	1,048,062
Federal grant revenue received on behalf of others	**7,930,604**	1,778,585	-
Other	**1,897,960**	1,885,946	1,768,523
Gain on disposal of assets	**-**	153,827	13,147
Total nonoperating revenue	**126,027,019**	98,733,526	87,293,987
Total revenue	**135,825,301**	108,533,875	98,664,920
Operating expenses:			
Transportation	**47,429,399**	48,461,292	48,735,235
Maintenance	**26,447,255**	20,269,269	21,799,363
Public liability and property damage claims	**737,827**	727,769	2,977,280
General and administrative	**20,222,826**	20,265,149	20,455,191
Depreciation and amortization	**11,989,264**	11,300,458	11,712,844
Total operating expenses	**106,826,571**	101,023,937	105,679,913
Nonoperating expenses:			
Debt service reimbursement to Jackson County	**1,401,972**	1,404,472	535,146
Federal funds passed through to subrecipients	**2,207,891**	1,471,999	1,048,062
Federal funds spent on behalf of others	**7,930,604**	1,778,585	-
Loss on disposal of assets	**175,605**	-	-
Other nonoperating expense	**-**	108,000	144,000
Total expenses	**118,542,643**	105,786,993	107,407,121
Change in net position	**17,282,658**	2,746,882	(8,742,201)
Net position, beginning of the year, as restated	**123,947,828**	129,880,745	138,622,946
Net position, end of year	**$ 141,230,486**	$ 132,627,627	$ 129,880,745

Revenues

Fiscal Year 2018 vs. 2017

In 2018, total revenue, which includes operating and non-operating revenues, increased by $27.3 million, or 25.1 percent when compared to 2017. Operating revenues for the fiscal year ended December 31, 2018, totaled $9.8 million which is virtually no change from 2017.

Non-operating revenues increased by $27.3 million or 25.1 percent from 2017 due to increases to investment income, operating funding, capital related grants funding and federal grant revenues. Favorable markets resulted in an increase of $440 thousand to investment income. Operating funding increased $2.7 million from 2017 primarily due to additional funding received from Kansas City, Missouri in 2018. Capital related grants funding increased by $17.4 million due to a large purchase of revenue vehicles and increase in capital projects in process. Federal grants revenues received for subrecipients and on behalf of others, which are passed on, increased by $6.8 million as the Authority has more Johnson County service expenses being recovered by KCATA as are Kansas City, Missouri expenses related to the Prospect MAX project.

Fiscal Year 2017 vs. 2016

In 2017, total revenue, which includes operating and non-operating revenues, increased by $9.9 million, or 10 percent when compared to 2016. Operating revenues for the fiscal year ended December 31, 2017, totaled $9.8 million and decreased by $1.6 million or 13.81 percent from 2016. Revenue from bus advertising decreased $182,000 or 31.4 percent from 2016. Passenger revenue, the Authority's largest operating revenue source, reflected a decrease of $1.38 million or 12.8 percent from the previous year. The decrease is directly related to a 4.95 percent reduction in Fixed-Route ridership from 2016 to 2017 resulting in a $1.45 million loss of passenger revenue.

Non-operating revenues increased by $11.4 million or 13.1 percent from 2016 due to increased capital related grants funding and increases to federal grant revenues received for subrecipients. Capital related grants funding increased by $9.1 million due to a large purchase of revenue vehicles and increase in capital projects in process. Federal grants revenues received for subrecipients and on behalf of others, increased by $2.2 million as the Authority has expanded their management services to include the Lee's Summit OATS program, increased management of Johnson County grants and initiated region-wide taxi programs support by federal grants.

Expenses

Fiscal Year 2018 vs. 2017

Total expenses in 2018 were $118.5 million, resulting in an increase of $12.8 million or 12.1 percent from 2017. Operating expenses were higher in 2018 as the result of $6 million of maintenance cost and non-operating expenses increased as the result of $6.8 million of expenses passed through to other subrecipients or on behalf of others.

Fiscal Year 2017 vs. 2016

Total expenses in 2017 were $105.8 million, resulting in a decrease of $1.6 million or 1.5 percent from 2016. Operating expenses were lower in 2017 as the result of 2016 initiatives that were either completed in 2016 or no longer in operation in 2017 such as the regional rebranding project to RideKC and the pilot program with Bridj for alternative service delivery. Also, the Authority generated additional savings from the continuation of the organizational restructure.

Table 3 - Schedules of Capital Assets
As of December 31, 2018, 2017 and 2016

	2018	2017	2016
Land	**$ 12,991,155**	$ 12,209,641	$ 8,672,679
Capital projects-in-progress	**16,615,132**	10,925,355	5,317,233
Building and improvements	**65,421,117**	65,698,717	64,900,882
Revenue equipment	**108,089,588**	92,402,521	92,851,101
Other equipment and structures	**62,417,123**	58,432,572	58,522,313
Other furniture and equipment	**5,424,165**	5,720,403	5,508,579
	270,958,280	245,389,209	235,772,787
Less accumulated depreciation	**149,627,058**	148,370,698	149,459,370
Net capital assets	**$ 121,331,222**	$ 97,018,511	$ 86,313,417

Capital Assets

Fiscal Year 2018 vs. 2017

The Authority's investment in capital assets is $121 million (net of accumulated depreciation) as of December 31, 2018. Investments in capital assets increased by $24.3 million or 25.1 percent over 2017 capital assets.

Capital projects-in-progress increased $5.7 million or 5.2 percent due to the Breen building renovations and the Prospect MAX project.

Revenue equipment increased by $15.7 million or 17 percent from 2017 related to the replacement of 38 revenue vehicles with new CNG revenue vehicles.

Accumulated depreciation increased $1.26 million or .8 percent as the result of depreciation expense incurred during 2018 less the depreciation associated with disposed assets. In 2018, depreciation related to facility and bus stop improvements increased $3.6 million as a result of remodeling and structural improvements performed in the Breen facility. This increase was offset by a decrease of $2.4 million of depreciation associated with revenue vehicles as the result of older, fully depreciated fleet remaining in service throughout most of 2018 before new CNG vehicles were placed into service later in the year.

Fiscal Year 2017 vs. 2016

The Authority's investment in capital assets is $97 million (net of accumulated depreciation) as of December 31, 2017. Investments in capital assets increased by $10.7 million or 12.4 percent over 2016 capital assets.

Capital projects-in-progress increased $5.6 million or 105.5 percent due to the elevator project in Building 1, improvements to the BRT lines, Breen building renovations, the Prospect MAX project, the radio system upgrade and the customer service software upgrade. Projects added in 2017 include renovations to the Breen building, the Prospect MAX project and the customer service software upgrade.

Revenue equipment decreased by $449 thousand or .48 percent from 2016 related to the replacement of twenty revenue vehicles with new CNG revenue vehicles.

Accumulated depreciation decreased $1.1 million or .73 percent as the result of depreciation expense incurred during 2017 less the depreciation associated with disposed assets. In 2017, twenty revenue vehicles were retired reducing accumulated depreciation by $11.6 million, which more than offset the 2017 accumulated depreciation of $6.4 million for revenue vehicles, a net decrease of $5.2 million. There was also $4.1 million of increases to accumulated depreciation related to building improvements and other equipment and structures which offsets all by $1.1 million of the decrease to revenue vehicles.

Economic Factors and Next Year's Operations

Economic conditions in the region continued to be strong through most of 2018 with some regression in the markets during December. However, there has been a rebound so far during 2019 and losses recognized at the end of 2018 have since been recovered. Unemployment rates in the region continue to be low however fuel prices have increased some during the past year. Due to locked in contract pricing, KCATA anticipates agency expenditures to be relatively flat unless there is a considerable increase to prices during 2019. KCATA ridership continued to trend downward during 2018. Traditionally, strong economies result in ridership loss as individuals can afford their own vehicles or are willing to pay for more efficient and convenient modes of transportation such as the non-traditional transportation alternatives that continue to rise in popularity. As a result of this ridership loss, passenger revenues continue to decline. KCATA did receive additional ½-cent sales tax funding in 2018 from Kansas City, Missouri as a result of a reimbursement of funding set aside for a real estate purchase in a prior year. The City of Kansas City, Missouri, provides 53 percent of the funds required for transit and para-transit service through the Public Mass Transit Fund (1/2-cent sales tax) and 3/8-cent sales tax. Anticipated sales tax revenues for 2019 are expected to increase by 1.5% in 2019 based on discussions with the City. The state of Missouri's fiscal year 2017/18 funding received for transit operating assistance was $333,092 however the budgeted amount for 2018/19 funding is set at $329,054.

The federal fiscal year begins on October 1 and ends September 30. On December 4, 2015, the sitting President signed into law the Fixing America's Surface Transportation Act (FAST Act) that was effective as of October 1, 2015. The FAST Act authorized transit programs for five years (FFY 2016 through FFY 2020) and the Authority is now in the fourth year of funding under this Act. Government operations are currently operating under a recently passed bill that continues funding for transit operations through September 2019.

Throughout 2018, the Authority has provided support to their regional partners by working with them on innovative services to test alternative modes of public transportation. Currently, Johnson County is providing an on-demand curb-to-curb pilot program transporting multiple passengers using taxi service scheduled through an application. The pilot blends several initiatives, some of which were piloted by KCATA, incorporating lessons learned during the KCATA experience to maximize the potential for success. The program is growing, and the expectation is the service will continue in 2020. A redesign of existing KCATA services will be undertaken in 2019 to identify system efficiencies and seek opportunities to redefine service delivery. Changes implemented as a result of the redesign should generate savings to assist the agency with developing and maintaining a sustainable financial plan. The RideKC Freedom-on-Demand program was developed in 2018 as was expanded into Johnson County. The program had been very successful in both areas and is being marketed to other communities currently as it allows more scheduling alternatives for the public through the use of a mobile app. Also implemented in 2018 was the mobile ticketing application that lets riders purchase a virtual pass using a mobile device eliminating the need to use cash and the City of Lee's Summit to oversee transportation services for their communities. In 2019, the Authority will be relying on the results of the service redesign to make decisions impacting the long-term viability of the system while continuing to improve on current initiatives such as the alternative fare media. KCATA will be implementing ticket vending machines (TVM) in the first half of 2019 as a pilot program before rolling out the Prospect MAX service in late 2019 which incorporate TVMs throughout the corridor. Also, KCATA will continue in its pursuit of economic development opportunities as a way to diversify the business model and establish revenue streams for the future to ensure the long-term sustainability of the operation to provide reliable regional transportation services of the highest quality.

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the Authority's finances. Questions concerning this report or requests for additional financial information should be directed to Director of Finance, Kansas City Area Transportation Authority, 1350 East 17th Street, Kansas City, Missouri 64108, telephone number (816) 346-0241.

Kansas City Area Transportation Authority

Statements of Net Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and investments	**$ 710,639**	$ 2,149,856
Accounts receivable	**362,978**	689,943
Due from other governments:		
Local governments	**3,289,329**	2,554,493
State governments	**447,360**	343,504
Federal government	**6,920,457**	1,929,437
Materials and supplies	**1,594,882**	1,738,501
Prepaid expenses and other assets	**1,147,933**	1,190,625
Designated cash and investments	**2,961,870**	2,806,291
Total current assets	**17,435,448**	13,402,650
Noncurrent assets:		
Restricted cash and investments	**43,446,962**	49,797,963
Designated cash and investments	**21,789,193**	14,221,984
Capital assets:		
Land and other nondepreciable assets	**29,606,287**	23,134,996
Other depreciable capital assets, net of depreciation	**91,724,935**	73,883,515
Total noncurrent assets	**186,567,377**	161,038,458
Total assets	**204,002,825**	174,441,108
Deferred outflows of resources, pension related amounts	**9,959,259**	6,289,115

See notes to basic financial statements.

	2018	2017
Liabilities		
Current liabilities:		
Accounts payable	**$ 6,731,556**	$ 4,453,024
Accrued liabilities:		
Payroll and benefits	**1,799,053**	2,687,755
Compensated absences	**3,545,081**	3,225,211
Other	**58,345**	326,355
Liabilities payable from designated assets:		
Public liability and property damage claims	**1,439,196**	1,439,979
Workers' compensation claims	**1,522,674**	1,366,312
Unearned revenue	**8,877,110**	1,205,151
Due to other governments	**2,492,749**	-
Total current liabilities	**26,465,764**	14,703,787
Noncurrent liabilities:		
Liabilities payable from designated assets:		
Public liability and property damage claims	**659,767**	1,171,105
Workers' compensation claims	**1,028,805**	1,605,163
Total other postemployment benefits liability	**12,857,805**	4,264,597
Net pension liability	**27,478,442**	21,056,543
Compensated absences	**1,261,513**	1,859,299
Total noncurrent liabilities	**43,286,332**	29,956,707
Total liabilities	**69,752,096**	44,660,494
Deferred inflows of resources:		
Deferred inflows of resources, OPEB related amounts	**602,734**	-
Deferred inflows of resources, pension related amounts	**2,376,768**	3,442,102
Total deferred inflows of resources	**2,979,502**	3,442,102
Net position		
Investment in capital assets	**121,331,222**	97,018,511
Restricted for capital and operating purposes	**43,446,962**	49,797,963
Unrestricted	**(23,547,698)**	(14,188,847)
Total net position	**$ 141,230,486**	$ 132,627,627

Kansas City Area Transportation Authority

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

	2018	2017
Operating revenues:		
Passenger	**$ 9,437,354**	$ 9,402,016
Charter and stadium express	**2,438**	500
Advertising	**358,490**	397,833
Total operating revenues	**9,798,282**	9,800,349
Operating expenses:		
Transportation	**47,429,399**	48,461,292
Maintenance	**26,447,255**	20,269,269
Public liability and property damage claims	**737,827**	727,769
General and administrative	**20,222,826**	20,265,149
Depreciation	**11,989,264**	11,300,458
Total operating expenses	**106,826,571**	101,023,937
Operating loss	**(97,028,289)**	(91,223,588)
Nonoperating revenues (expenses):		
Grants and funding used for operations:		
Local governments	**67,593,420**	67,381,624
State government	**410,284**	662,541
Federal government	**13,052,931**	10,319,469
Federal grant revenue received for subrecipients	**2,207,891**	1,471,999
Federal funds passed through to subrecipients	**(2,207,891)**	(1,471,999)
Federal grant revenue, received on behalf of others	**7,930,604**	1,778,585
Federal funds spent on behalf of others	**(7,930,604)**	(1,778,585)
Investment income	**1,143,778**	700,457
Debt service reimbursement to Jackson County	**(1,401,972)**	(1,404,472)
Gain (loss) on disposition of capital assets	**(175,605)**	153,827
Rental and other nonoperating income	**1,897,960**	1,885,946
Other nonoperating expense	**-**	(108,000)
Total net nonoperating revenues	**82,520,796**	79,591,392
Decrease in net position before capital funding	**(14,507,493)**	(11,632,196)
Capital related grants and funding	**31,790,151**	14,379,078
Change in net position	**17,282,658**	2,746,882
Net position, beginning of year, as restated	**123,947,828**	129,880,745
Net position, end of year	**$ 141,230,486**	$ 132,627,627

See notes to basic financial statements.

Kansas City Area Transportation Authority

Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Receipts from passengers and advertisers	**$ 17,797,206**	$ 11,280,831
Payments for payroll and related fringe benefits	**(57,587,094)**	(53,702,686)
Payments to suppliers for goods and services	**(34,623,498)**	(35,689,659)
Net cash used in operating activities	**(74,413,386)**	(78,111,514)
Cash flows from noncapital financing activities:		
Grants and other funding used for operations	**75,226,923**	75,580,027
Funding used for debt service payments	**1,401,972**	1,404,472
Debt service payments to Jackson County	**(1,401,972)**	(1,404,472)
Other nonoperating expense	**-**	(108,000)
Net cash provided by noncapital financing activities	**75,226,923**	75,472,027
Cash flows from capital and related financing activities:		
Purchases of capital assets	**(34,319,939)**	(21,167,286)
Proceeds from sale of capital assets	**9,055**	153,827
Capital grants and funding	**31,790,151**	14,379,078
Net cash used in capital and related financing activities	**(2,520,733)**	(6,634,381)
Cash flows from investing activities:		
Interest received	**906,846**	924,547
Purchases of investments	**(27,810,361)**	(15,575,179)
Sales and maturities of investments	**26,364,099**	20,641,744
Rental and other receipts	**495,988**	481,474
Net cash provided by (used in) investing activities	**(43,428)**	6,472,586
Net (decrease) in cash and cash equivalents	**(1,750,624)**	(2,801,282)
Cash and cash equivalents at beginning of year	**6,168,893**	8,970,175
Cash and cash equivalents at end of year	**$ 4,418,269**	$ 6,168,893

(Continued)

Kansas City Area Transportation Authority

Statements of Cash Flows (Continued)
Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of operating loss to net cash (used in) operating activities:		
Operating loss	**$ (97,028,289)**	$ (91,223,588)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	**11,989,264**	11,300,458
Changes in assets and liabilities:		
Decrease in accounts receivable	**326,965**	907,636
Decrease in materials and supplies and prepaid expenses	**186,311**	351,285
Increase (decrease) in accounts payable and accrued liabilities	**(1,322,792)**	635,345
Increase in unearned revenue	**7,671,959**	572,846
(Decrease) in self-insurance liabilities payable	**(932,117)**	(1,114,115)
Increase in due to other governments	**2,492,749**	-
Increase in OPEB related amounts	**516,143**	-
Increase in pension related amounts	**1,686,421**	458,619
Net cash used in operating activities	**$ (74,413,386)**	$ (78,111,514)
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and investments	**$ 710,639**	$ 2,149,856
Restricted cash and investments	**43,446,962**	49,797,963
Designated cash and investments	**24,751,063**	17,028,275
Total cash and investments	**$ 68,908,664**	$ 68,976,094
Reconciliation of cash and cash equivalents to specific assets on the statement of net position:		
Cash and investments	**$ 68,908,664**	$ 68,976,094
Less investments not meeting the definition of cash equivalents	**64,490,395**	62,807,201
Cash and cash equivalents at end of year	**$ 4,418,269**	$ 6,168,893
Supplemental schedules of noncash items:		
Noncash investing activities, increase (decrease) in fair value of investments	**$ 236,932**	$ (224,090)
Noncash capital and related financing activities, capital assets acquired through accounts payable	**$ 2,166,696**	$ 838,266

See notes to basic financial statements.

Kansas City Area Transportation Authority
Pension Trust Fund

Statements of Fiduciary Net Position—Pension Plan
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	**$ 3,803**	$ -
Investments:		
Common stock	**5,597,995**	6,881,708
Equity funds	**6,312,840**	6,942,554
U.S. agencies	**537,497**	601,888
Debt funds	**595,174**	585,775
Corporate bonds	**1,758,585**	1,889,024
U.S. treasury	**1,516,424**	1,231,539
Municipal bonds	**49,993**	50,472
Money market	**767,016**	170,496
Total investments	**17,135,524**	18,353,456
Accrued interest and dividends	**91,154**	33,844
Total assets	**17,230,481**	18,387,300
Liabilities		
Accrued administrative expenses	**23,141**	20,095
Fiduciary net position restricted for pension benefits held in trust	**$ 17,207,340**	$ 18,367,205

See notes to basic financial statements.

Kansas City Area Transportation Authority
Pension Trust Fund

Statements of Changes in Fiduciary Net Position—Pension Plan
Years Ended December 31, 2018 and 2017

	2018	2017
Additions:		
Employer contributions	**$ 1,312,552**	$ 1,256,289
Transfer from the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan	**47,189**	181,749
Investment income (loss):		
Net appreciation (depreciation) of fair value of investments, net of investment expense	**(1,837,148)**	2,208,832
Interest and dividends	**726,517**	349,792
Net investment income (loss)	**(1,110,631)**	2,558,624
Total additions	**249,110**	3,996,662
Deductions:		
Benefits paid to participants	**1,334,736**	2,045,437
Administrative expenses	**74,239**	70,560
Total deductions	**1,408,975**	2,115,997
Net increase (decrease)	**(1,159,865)**	1,880,665
Net position held in trust for pension benefits:		
Beginning of year	**18,367,205**	16,486,540
End of year	**$ 17,207,340**	$ 18,367,205

See notes to basic financial statements.

Note 1. Nature of Operations, Reporting Entity, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies

Nature of operations: The Kansas City Area Transportation Authority (the Authority) serves four Missouri counties and three Kansas counties as a corporate body and political subdivision of the states of Missouri and Kansas. The Authority was established in 1965, approved by the United States Congress in 1966, and commenced operations in 1969, providing mass transportation service, primarily via bus, to the greater Kansas City metropolitan area. The Board of Commissioners consists of five members from the state of Missouri and five from the state of Kansas. The Kansas Commissioners representing Johnson and Leavenworth counties are appointed by their respective County Commissions (2) and the Commissioners representing the Wyandotte County jurisdiction are appointed by the City Commissioners of the Unified Government of Wyandotte County/Kansas City, Kansas (3). The Missouri Commissioners are appointed by the Mayor of Kansas City, Missouri (3), the Governor of Missouri (1) and the Jackson County Executive (1).

Reporting entity: The Authority has considered all potential organizations for which the nature and significance of their relationships with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and (1) the ability of the Authority to impose its will on that organization or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the Authority. Based on these criteria, there are no other organizations included in these financial statements.

Measurement focus and basis of accounting: The Authority accounts for its activities as an enterprise fund. The accompanying basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) as applied to business-type activities. The Government Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Fiduciary fund type: The Authority also includes a pension trust fund, fiduciary fund type in its basic financial statements. Pension trust funds are accounted for in essentially the same manner as the enterprise fund, using the same measurement focus and basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Pension Trust Fund accounts for the assets of the Authority's Salaried Employees Retirement Plan. This plan is included in the reporting entity due to the Authority's significant administrative involvement. The Kansas City Area Transportation Authority Union Employees' Funded Pension Plan is excluded from the Authority's reporting entity since the Authority does not perform investment functions and does not have significant administrative involvement. The Authority's only requirement is to make the employer contribution in accordance with the union agreement. Although the Union Plan is not included in the Authority's report as a fiduciary fund, the notes to the financial statements and required supplementary information include detailed information about the Union Plan.

Note 1. Nature of Operations, Reporting Entity, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Summary of significant accounting policies:

Materials and supplies inventories: Materials and supplies inventories, consisting of bus parts, office supplies and maintenance supplies, are stated at average cost.

Prepaid expenses: Certain payments to vendors reflecting costs applicable to future accounting periods, such as the cost of insurance policies, have been recorded as prepaid expenses in the Authority's basic financial statements.

Capital assets: Capital assets with an initial cost of $1,000 or more and useful life greater than one year are recorded at cost. Donated capital assets are recorded at acquisition value as of the date of donation. Capital assets, except for land and capital projects-in-progress, are depreciated over their respective useful lives using the straight-line method as follows:

Buildings and improvements	10–45 years
Revenue equipment	4–12 years
Office furniture and equipment and other equipment and structures	3–15 years

Expenditures for renewals and betterments that increase property lives are capitalized. Maintenance and repair costs are charged to operations as incurred. When assets are retired or sold, historical cost and accumulated depreciation are removed from the accounts and any resulting gain or loss, net of any proceeds, is reflected in the statements of revenues, expenses and changes in net position.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets are expensed as incurred.

Cash and cash equivalents: For purposes of the statements of cash flows, cash and cash equivalents are demand deposit accounts, money market funds and securities with an original maturity of three months or less at the date of purchase.

Investments: The Authority's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. See Note 2 for additional information regarding fair value measures.

Compensated absences: Under the terms of the Authority's personnel policy, employees are granted vacation and sick leave in varying amounts. The liability for vacation pay is recorded as an expense in the period in which the vacation is earned. Sick pay may be carried forward indefinitely and 50 percent of any unused sick leave is paid at the time of retirement or death. The estimated amount to be paid to employees at the time of retirement or death is included in accrued compensated absences. Salaried employees hired after June 2016 are not eligible for sick pay benefit at the time of retirement.

Note 1. Nature of Operations, Reporting Entity, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Pensions: Measurement of the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Salaried Employees Pension Plan and Union Employees Pension Plan and additions to/deductions from these fiduciary net positions has been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows of resources: Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense.

Deferred inflows of resources: Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include pension related amounts not yet recognized against pension expense and OPEB expense.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

Net position classifications: In the basic financial statements, net position is classified into the three components:

Investment in capital assets—consisting of capital assets, net of accumulated depreciation.

Restricted net position—consisting of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Authority first utilizes restricted resources to finance qualifying activities.

Unrestricted net position—All other net position that does not meet the definition of “restricted” or “investment in capital assets.”

Unearned revenues: Unearned revenues consist of passenger ridership revenue that has not yet been earned. The Authority recognizes this revenue once it has been earned. Unearned revenues also primarily consist of revenue from other governmental agencies, for which all eligibility requirements have not yet been satisfied. The Authority recognizes this revenue once those requirements have been met.

Operating revenues and expenses: Operating revenues of the Authority principally consist of user charges for bus and shuttle services, as well as advertising revenue. Nonoperating revenues include reimbursements for operating and capital expenses from local, state and federal sources, including those passed through to subrecipients, interest earned on the Authority’s cash and investments and a variety of other miscellaneous items. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets.

Note 2. Cash and Investments

The Authority has separate investment policies and investment accounts by purpose of the investments. These investment accounts are the Self-Insurance Account, Capital Account, Operating Account and 3/8-cent Transit Sales Tax Account. As of December 31, 2018, the Authority had the following investments, by account:

		Investment Maturities (in Years)					
	Fair Value	Less Than 1	1 - 2	2 - 5	Greater Than 5	Moody's Rating	Standard & Poor's Rating
Self-insurance account:							
U.S. agencies	$ 1,161,750	$ -	$ 319,825	$ 642,463	$ 199,462	Aaa	AA+
U.S. treasury notes	3,315,036	123,528	392,524	1,568,396	1,230,588	N/A	N/A
Taxable municipal bonds	90,567	-	-	-	90,567	NR	AA+
Mutual funds	17,952	17,952	-	-	-	N/A	N/A
Corporate bonds	2,018,393	148,022	665,690	861,611	343,070	A	A
Corporate bonds	447,475	-	98,345	251,480	97,650	Aa	A
Corporate bonds	309,546	309,546	-	-	-	NR	A
Corporate bonds	362,996	362,996	-	-	-	A	AA
Corporate bonds	751,987	208,402	98,683	343,819	101,083	Aa	AA
Corporate bonds	58,954	-	58,954	-	-	A3	BBB+
Corporate bonds	63,581	-	-	-	63,581	Baa1	BBB+
Accrued interest (at cost)	43,298	-	-	-	-	N/A	N/A
Total self-insurance account	$ 8,641,535	$ 1,170,446	$ 1,634,021	$ 3,667,769	$ 2,126,001		
Operating account:							
U.S. agencies	$ 3,408,186	$ 1,070,656	$ 467,092	$ 1,870,438	$ -	Aaa	AA+
U.S. treasury notes	11,937,289	5,965,765	2,246,297	2,630,529	1,094,698	N/A	N/A
Mutual funds	1,475,316	1,475,316	-	-	-	N/A	N/A
Accrued interest (at cost)	52,086	-	-	-	-	N/A	N/A
Total operating account	$ 16,872,877	$ 8,511,737	$ 2,713,389	$ 4,500,967	$ 1,094,698		
3/8-cent transit sales tax account:							
U.S. agencies	$ 3,898,924	$ 1,341,619	$ 467,372	$ 1,790,740	$ 299,193	Aaa	AA+
U.S. treasury notes	13,630,501	2,579,866	740,750	8,116,161	2,193,724	N/A	N/A
Mutual funds	953,432	953,432	-	-	-	N/A	N/A
Accrued interest (at cost)	76,926	-	-	-	-	N/A	N/A
Total 3/8-cent transit sales tax account	$ 18,559,783	$ 4,874,917	$ 1,208,122	$ 9,906,901	$ 2,492,917		
Capital account:							
U.S. agencies	$ 2,991,506	$ -	$ 294,999	$ 2,098,121	$ 598,386	Aaa	AA+
U.S. treasury notes	10,163,693	-	367,991	7,345,232	2,450,470	N/A	N/A
Taxable municipal bonds	320,229	-	320,229	-	-	NR	AA
Taxable municipal bonds	126,744	-	-	-	126,744	Aa1	AA+
Taxable municipal bonds	276,733	-	-	-	276,733	Aa2	AA-
Taxable municipal bonds	230,017	-	-	-	230,017	Aa2	AA+
Mortgage	178,871	-	-	-	178,871	NR	NR
Mutual funds	54,138	54,138	-	-	-	N/A	N/A
Corporate bonds	5,358,958	296,043	1,258,804	1,931,936	1,872,175	A	A
Corporate bonds	839,465	-	295,035	251,480	292,950	Aa	A
Corporate bonds	218,027	218,027	-	-	-	A	AA
Corporate bonds	1,626,317	-	444,987	878,082	303,248	Aa	AA
Corporate bonds	196,514	-	196,514	-	-	A3	BBB+
Corporate bonds	220,092	-	-	-	220,092	Baa1	BBB+
Accrued interest (at cost)	115,734	-	-	-	-	N/A	N/A
Total capital account	$ 22,917,038	$ 568,208	$ 3,178,559	$ 12,504,851	$ 6,549,686		

Note 2. Cash and Investments (Continued)

As of December 31, 2017, the Authority had the following investments, by account:

		Investment Maturities (in Years)					
	Fair Value	Less Than 1	1 - 2	2 - 5	Greater Than 5	Moody's Rating	Standard & Poor's Rating
Self-insurance account:							
U.S. agencies	$ 1,192,906	$ 377,590	$ -	$ 815,316	$ -	Aaa	AA+
U.S. treasury notes	3,858,431	1,746,582	793,667	1,318,182	-	N/A	N/A
Mortgage	4,880	4,880	-	-	-	NR	AA+
Mutual funds	396,504	396,504	-	-	-	N/A	N/A
Corporate bonds	1,584,616	654,987	459,124	470,505	-	Aa	AA
Corporate bonds	524,897	214,942	163,579	146,376	-	Aa	A
Corporate bonds	363,593	-	363,593	-	-	A	AA
Corporate bonds	2,587,802	499,320	708,687	1,379,795	-	A	A
Accrued interest (at cost)	37,449	-	-	-	-	N/A	N/A
Total self-insurance account	$ 10,551,078	$ 3,894,805	$ 2,488,650	$ 4,130,174	$ -		
Operating account:							
U.S. agencies	$ 3,289,808	$ -	$ 1,373,454	$ 1,916,354	$ -	Aaa	AA+
U.S. treasury notes	4,470,041	199,500	1,094,285	3,176,256	-	N/A	N/A
Mutual funds	82,954	82,954	-	-	-	N/A	N/A
Accrued interest (at cost)	26,351	-	-	-	-	N/A	N/A
Total operating account	$ 7,869,154	$ 282,454	$ 2,467,739	$ 5,092,610	$ -		
3/8-cent transit sales tax account:							
U.S. agencies	$ 5,798,058	$ 2,996,295	$ 1,339,925	$ 1,461,838	$ -	Aaa	AA+
U.S. treasury notes	10,336,739	1,002,458	2,569,250	6,765,031	-	N/A	N/A
Mutual funds	308,371	308,371	-	-	-	N/A	N/A
Accrued interest (at cost)	62,838	-	-	-	-	N/A	N/A
Total 3/8-cent transit sales tax account	$ 16,506,006	$ 4,307,124	$ 3,909,175	$ 8,226,869	$ -		
Capital account:							
U.S. agencies	$ 5,281,363	$ 1,505,440	$ 1,150,976	$ 2,624,947	$ -	Aaa	AA+
U.S. treasury notes	10,806,923	1,695,983	3,169,846	5,941,094	-	N/A	N/A
Taxable municipal bonds	321,016	-	-	321,016	-	A2	AA+
Mortgage	206,943	-	-	206,943	-	NR	NR
Mutual funds	1,696,203	1,696,203	-	-	-	N/A	N/A
Corporate bonds	448,250	-	-	448,250	-	Aaa	AAA
Corporate bonds	2,184,796	799,734	548,913	836,149	-	Aa	AA
Corporate bonds	1,859,506	759,511	312,288	787,707	-	Aa	A
Corporate bonds	493,137	-	493,137	-	-	A	AA
Corporate bonds	6,943,394	1,128,815	1,171,130	4,643,449	-	A	A
Accrued interest (at cost)	124,401	-	-	-	-	N/A	N/A
Total capital account	$ 30,365,932	$ 7,585,686	$ 6,846,290	$ 15,809,555	$ -		

Authorized investments: The Authority was created as “a political subdivision of the states of Missouri and Kansas.” There are no statutory restrictions on the deposits or investments of the Authority’s funds. Pursuant to its investment policies, the Authority is limited to investments that are issued or guaranteed by the U.S. Government or Government Sponsored Enterprise (GSE) for the 3/8-cent transit sales tax account. For the self-insurance and capital accounts, investment grade bonds are also allowable investments. Mutual funds may be used for reserves.

Note 2. Cash and Investments (Continued)

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment means the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority limits the final maturity of its investment portfolio to seven years or less for the Self-insurance Account, with a minimum of $2 million invested with a maximum average maturity of two years or less. The Authority's policy over the 3/8-cent Transit Sales Tax Account and the Capital Account states that investment maturities are determined by staff based on expenditure projections.

Information about the sensitivity of the fair values of the Authority's investment to market interest rate fluctuations is provided by the previous tables that show the distribution of the Authority's investments by maturity. The mutual funds are not subject to interest rate risk given they have no maturity dates.

Credit risk: Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The December 31, 2018 and 2017 ratings are listed in the above tables.

Concentration of credit risk: The Authority manages its concentration of credit risk by limiting the amount invested in GSE to 75 percent of its portfolio, with a maximum of 20 percent per issuer. The following investments were 5 percent or more of the Authority's investments as of December 31, 2018:

Federal Home Loan Bank Note	$	3,584,109	5%
Federal National Mortgage Association		5,020,447	8

The following investments were 5 percent or more of the Authority's investments as of December 31, 2017:

Federal Home Loan Bank Note	$	4,140,813	6%
Federal Home Loan Mortgage Corp.		3,629,119	6
Federal National Mortgage Association		5,589,925	9

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are not subject to concentration of credit risk.

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of December 31, 2018, none of the Authority's bank balances with financial institutions was uninsured and uncollateralized. As of December 31, 2018, the Authority had $64,490,395 exposed to custodial credit risk for investments that were uninsured and unregistered held by the counterparty or agent but not in the Authority's name. The Authority had $2,500,838 of investments in mutual funds not exposed to custodial credit risk.

Note 2. Cash and Investments (Continued)

As of December 31, 2017, none of the Authority's bank balances with financial institutions was uninsured and uncollateralized. As of December 31, 2017, the Authority had $62,807,201 exposed to custodial credit risk for investments that were uninsured and unregistered held by the counterparty or agent but not in the Authority's name. The Authority had $2,484,032 of investments in mutual funds not exposed to custodial credit risk.

Fair value measurements: The Authority categorizes it assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input: Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input: Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input: Inputs that are unobservable for the asset or liability which are typically based upon the City's own assumptions as there is little, if any, related market activity.

Hierarchy: The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs: If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

For the Authority, the following fair value techniques were utilized in measuring the fair value of its investments:

Corporate bonds: These investments are reported at fair value based on evaluation using market sources and integrating relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.

U.S. treasury notes and mutual funds: These investments are reported at fair value based on quoted market prices obtained from exchanges.

U.S. Government agency securities and mortgage securities: U.S. Government securities are reported at fair value based on bullet (noncall) spread scale for each issuer for maturities going out to 40 years. These spreads represent credit risk and are obtained from the new issue market, secondary trading, and dealer quotes.

Municipal bonds: These investments are reported at fair value based on trades, bid price or spread, two-sided markets, quotes, benchmark curves, including but not limited to, treasury benchmarks and LIBOR and swap curves, market data feeds such as MSRB, financial statements, discount rate, capital rates and trustee reports.

An Option Adjusted Spread (OAS) model is incorporated to adjust spreads of issues that have early redemption features. Final spreads are added to a U.S. Treasury curve. A cash discounting yield/price routine calculates prices from final yields to accommodate odd coupon payment dates typical of medium-term notes.

Note 2. Cash and Investments (Continued)

The Authority has no assets reported at fair value on a nonrecurring basis and no other investments meeting the fair value disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 72.

		Fair Value Measurement Using		
	Fair Value at December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level securities:				
U.S. agencies	$ 11,460,366	$ -	$ 11,460,366	$ -
U.S. treasury notes	39,046,519	39,046,519	-	-
Mortgage	178,871	-	178,871	-
Taxable municipal bonds	1,044,290	-	1,044,290	-
Corporate bonds	12,472,305	-	12,472,305	-
Mutual funds	2,500,838	2,500,838	-	-
Total securities	$ 66,703,189	$ 41,547,357	$ 25,155,832	$ -

		Fair Value Measurement Using		
	Fair Value at December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level securities:				
U.S. agencies	$ 15,562,135	$ -	$ 15,562,135	$ -
U.S. treasury notes	29,472,134	29,472,134	-	-
Mortgage	211,823	-	211,823	-
Taxable municipal bonds	321,016	-	321,016	-
Corporate bonds	16,989,991	-	16,989,991	-
Mutual funds	2,484,032	2,484,032	-	-
Total securities	$ 65,041,131	$ 31,956,166	$ 33,084,965	$ -

Pension trust fund: UMB, N.A. has discretionary authority concerning the purchases of investments in the Plan subject to the overall investment policy guidelines as approved by the Board of Commissioners.

Investment valuation and income recognition: Investments are recorded at fair value, except for money market funds, which are recorded at amortized cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All investments of the Plan are invested in common stocks, U.S. agencies, U.S. treasuries, corporate bonds, municipal bonds, money market accounts and mutual funds (debt and equity) through UMB Bank, N.A. The Equity Funds consist of mutual funds that comprise common and convertible stocks. The Debt Funds consist of mutual funds that comprise United States government and agency securities, corporate bonds and commercial paper. The Money Market Fund consists of investments similar to the Debt Funds; however, the maturity date of the Money Market Fund investments is less than one year.

Note 2. Cash and Investments (Continued)

As of December 31, 2018 and 2017, the Plan had the following investments. Those equity investments that represent 5 percent or more of the Plan's net position are presented separately. All corporate bonds are presented separately.

	2018			2017		
Investment Type	Balance	Moody's Rating	Standard & Poor's Rating	Balance	Moody's Rating	Standard & Poor's Rating
Common Stock	$ 5,597,995	N/A	N/A	$ 6,881,708	N/A	N/A
Mutual Funds:						
Equity Funds:						
Vanguard Developed Markets	1,152,825	N/A	N/A	1,347,629	N/A	N/A
Vanguard Institutional Index	1,174,536	N/A	N/A	1,085,334	N/A	N/A
Other equity funds	3,985,479	N/A	N/A	4,509,591	N/A	N/A
	6,312,840			6,942,554		
Debt Funds	595,174	Not Rated	Not Rated	585,775	Not Rated	Not Rated
Corporate Bonds:						
AFLAC Inc	-	-	-	100,082	A3	A-
Altria Group Inc	51,102	A3	BBB	53,619	A3	A-
American Express Co	-	-	-	124,854	A3	BBB+
Ameriprise	128,179	A3	A	132,596	A3	A
Anheuser Busch Inbev Worldwide Inc	-	-	-	132,014	A3	A-
Apple Inc	98,886	Aa1	AA+	100,731	Aa1	AA+
BB&T Corporation	29,791	A2	A-	30,099	A2	A-
BP Cap Mkts P L C Gtd NT	-	-	-	99,847	A1	A-
Bank America Corp	122,896	A2	A-	-	-	-
Carnival Corp Sr NT	101,289	A3	A-	104,401	A3	A-
Disney Walt Co Mtns	-	-	-	99,334	A2	A+
Goldman Sachs Group Inc Medium Term	157,482	A3	BBB+	165,285	A3	BBB+
GNMA Pass-thru X Platinum	21,677	Aaa	AA+	-	-	-
Home Depot Inc	102,985	A2	A	106,200	A2	A
JPMorgan Chase & Co Sr	73,907	A2	A-	129,328	A3	A-
JPMorgan Chase & Co	51,058	A2	A-	-	-	-
Lilly Eli & Co Nt	98,209	A2	A+	99,722	A2	AA-
Microsoft Corp NT	102,976	Aaa	AAA	105,356	Aaa	AAA
Pepsico Inc Sr	100,041	A1	A+	102,396	A1	A+
Salesforce	125,642	A3	A-	-	-	-
US Bancorp Mtns BK Ent	123,101	A1	A+	125,718	A1	A+
Walmart	97,493	Aa2	AA	-	-	-
Walt Disney Co	97,121	A2	A+	-	-	-
Wells Fargo & Co New Medium Term Sr	74,750	A2	A-	77,442	A2	A-
	1,758,585			1,889,024		
U.S. Agencies:						
Federal Home Loan	227,175	Aaa	AA+	485,863	Aaa	AA+
Federal Home Loan Mortgage Corporation	241,118	Aaa	AA+	-	-	-
Federal National Mortgage Association	40,316	Aaa	AA+	54,318	Aaa	AA+
Government National Mortgage Association	28,888	Aaa	AA+	61,707	Aaa	AA+
	537,497			601,888		
U.S. Treasury	1,516,424	NA	NA	1,231,539	NA	NA
Municipal Bonds	49,993	A1	AA	50,472	A1	AA
Federated Funds Group Governement Obligations	767,016	NA	NA	170,496	NA	NA
	$ 17,135,524			$ 18,353,456		

Note 2. Cash and Investments (Continued)

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer maturity of an investment means the greater the sensitivity of its fair value to changes in market interest rates. The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Plan's investments by maturity. Common stocks, mutual funds (equity and debt funds) and money market funds are not subject to interest rate risk given they have no maturity dates.

	December 31, 2018					
		Investment Maturities (in Years)				
Security Description	Balance	Less Than 1	1-5	6-10	Greater Than 10	Fair Value Hierarchy
Investments reported at fair value:						
Common stock	$ 5,597,995	$ -	$ -	$ -	$ -	1
Mutual funds:						
Equity funds	6,312,840	-	-	-	-	1
Debt funds	595,174	-	-	-	-	1
Corporate bonds	1,758,585	-	1,758,585	-	-	2
U.S. agencies	537,497	-	414,374	81,204	41,919	2
Municipal bonds	49,993	-	49,993	-	-	2
U.S. Treasury	1,516,424	-	1,260,945	255,479	-	1
Investments reported at amortized cost:						
Money market fund	767,016	-	-	-	-	N/A
	$ 17,135,524	$ -	$ 3,483,897	$ 336,683	$ 41,919	

	December 31, 2017					
		Investment Maturities (in Years)				
Security Description	Balance	Less Than 1	1-5	6-10	Greater Than 10	Fair Value Hierarchy
Investments reported at fair value:						
Common stock	$ 6,881,708	$ -	$ -	$ -	$ -	1
Mutual funds:						
Equity funds	6,942,554	-	-	-	-	1
Debt funds	585,775	-	-	-	-	1
Corporate bonds	1,889,024	224,701	1,664,323	-	-	2
U.S. agencies	601,888	197	420,741	132,270	48,680	2
Municipal bonds	50,472	-	50,472	-	-	2
U.S. Treasury	1,231,539	417,738	393,613	420,188	-	1
Investments reported at amortized cost:						
Money market fund	170,496	-	-	-	-	N/A
	$ 18,353,456	$ 642,636	$ 2,529,149	$ 552,458	$ 48,680	

Note 2. Cash and Investments (Continued)

Credit risk: Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The December 31, 2018 and 2017 ratings are listed on the previous page. In December 2014, the Plan updated its investment policy to establish a policy to minimize credit risk. Purchases of individual fixed income assets and bond mutual funds must be rated A3/A- or better by one major credit rating agency.

Concentration of credit risk: The Plan's investment policy is to apply the prudent-person rule: Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. It is the Plan's policy that the portfolio should be well diversified in an attempt to reduce the overall risk of the portfolio. The policy specifically places the following constraints on the following specific asset classes:

Small cap	Maximum 20% of total portfolio
Foreign	Maximum 30% of total portfolio
Large cap	Minimum 20% and maximum 40% of total portfolio
Mid cap	Maximum 20% of total portfolio

Mutual funds may be used for these asset classes. The policy places no limit on the amount the Plan may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are not subject to concentration of credit risk.

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Plan does not have a policy for custodial credit risk.

At December 31, 2018 and 2017, the Plan's corporate bonds, common stock, municipal bonds and U.S. agencies were uninsured investments, but the securities were held by the counterparty's trust department or agent in the name of the Plan. The equity funds, debt funds, U.S. Treasury and money market funds are not exposed to custodial credit risk. The Plan's investments during the years ended December 31, 2018 and 2017 did not differ significantly from these at the respective year-ends in amounts or level of risk.

Note 3. Grants and Operating Funding

The Authority has entered into several contracts with the federal government under the Federal Transportation Act of 1964, as amended, whereby the Authority receives financial assistance for capital improvement projects, preventive maintenance and planning assistance. The Authority also receives federal financial assistance for its Share-A-Fare program. The Federal Transit Administration allocates the amount appropriated by Congress for public mass transportation to metropolitan areas using a formula that considers such factors as population, population/density and revenue vehicle miles.

Note 3. Grants and Operating Funding (Continued)

In addition, the Authority also received local funding under contracts with 10 local governmental units in the greater Kansas City area, but principally from the City of Kansas City, Missouri (the City). The amounts of local funding income from the City for the years ended December 31, 2018 and 2017 were $59,055,152 and $59,385,547, respectively. Local operating funding for the years ended December 31, 2018 and 2017 was approximately 83 percent and 86 percent of the total operating grants and funding, respectively.

Federal operating funding is comprised of the following:

	2018	2017
Formula grants used for Fixed Transit operations	$ 10,110,939	$ 7,626,639
Formula grants used for RideKC Freedom operations	2,941,992	2,692,830
Totals	$ 13,052,931	$ 10,319,469

As of December 31, 2018 and 2017, amounts due from the federal government were as follows:

	2018	2017
Fixed Transit expenditures	$ 6,517,687	$ 1,657,511
RideKC Freedom expenditures	402,770	271,926
	$ 6,920,457	$ 1,929,437

Note 4. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2018 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land and rights-of-way	$ 12,209,641	$ 850,725	$ 69,211	$ 12,991,155
Capital projects in progress	10,925,355	37,234,933	31,545,156	16,615,132
Total capital assets not being depreciated	23,134,996	38,085,658	31,614,367	29,606,287
Capital assets being depreciated:				
Buildings and improvements	65,698,717	76,328	353,928	65,421,117
Revenue equipment	92,402,521	25,494,228	9,807,161	108,089,588
Other equipment and structures	58,432,572	4,089,279	104,728	62,417,123
Office furniture and equipment	5,720,403	286,298	582,536	5,424,165
Total capital assets being depreciated	222,254,213	29,946,133	10,848,353	241,351,993
Less accumulated depreciation for:				
Buildings and improvements	38,335,276	1,922,237	352,751	39,904,762
Revenue equipment	58,767,431	7,303,496	9,692,892	56,378,035
Other equipment and structures	46,047,077	2,485,983	104,728	48,428,332
Office furniture and equipment	5,220,914	277,548	582,533	4,915,929
Total accumulated depreciation	148,370,698	11,989,264	10,732,904	149,627,058
Total capital assets being depreciated, net	73,883,515	17,956,869	115,449	91,724,935
Total capital assets, net	$ 97,018,511	$ 56,042,527	$ 31,729,816	$ 121,331,222

Note 4. Capital Assets (Continued)

A summary of changes in capital assets for the year ended December 31, 2017 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land and rights-of-way	$ 8,813,771	$ 3,395,870	$ -	$ 12,209,641
Capital projects in progress	5,176,141	7,291,091	1,541,877	10,925,355
Total capital assets not being depreciated	13,989,912	10,686,961	1,541,877	23,134,996
Capital assets being depreciated:				
Buildings and improvements	64,900,882	797,835	-	65,698,717
Revenue equipment	92,851,101	11,197,918	11,646,498	92,402,521
Other equipment and structures	58,522,313	538,811	628,552	58,432,572
Office furniture and equipment	5,508,579	325,904	114,080	5,720,403
Total capital assets being depreciated	221,782,875	12,860,468	12,389,130	222,254,213
Less accumulated depreciation for:				
Buildings and improvements	36,372,623	1,962,653	-	38,335,276
Revenue equipment	64,000,694	6,413,235	11,646,498	58,767,431
Other equipment and structures	44,006,095	2,669,534	628,552	46,047,077
Office furniture and equipment	5,079,958	255,036	114,080	5,220,914
Total accumulated depreciation	149,459,370	11,300,458	12,389,130	148,370,698
Total capital assets being depreciated, net	72,323,505	1,560,010	-	73,883,515
Total capital assets, net	$ 86,313,417	$ 12,246,971	$ 1,541,877	$ 97,018,511

Note 5. Long-Term Liabilities

A summary of long-term liability transactions for the year ended December 31, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Compensated absences	$ 5,084,510	$ 3,180,827	$ 3,458,743	$ 4,806,594	$ 3,545,081
Self insurance claims	5,582,559	1,753,961	2,686,078	4,650,442	2,961,870
Total long-term liabilities	$ 10,667,069	$ 4,934,788	$ 6,144,821	$ 9,457,036	$ 6,506,951

A summary of long-term liability transactions for the year ended December 31, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Compensated absences	$ 5,910,290	$ 3,170,551	$ 3,996,331	$ 5,084,510	$ 3,225,211
Self insurance claims	6,696,674	1,187,635	2,301,750	5,582,559	2,806,291
Total long-term liabilities	$ 12,606,964	$ 4,358,186	$ 6,298,081	$ 10,667,069	$ 6,031,502

Note 6. Restrictions and Designations of Assets

The following is a summary of restrictions and designations of assets for the years ended December 31, 2018 and 2017:

	2018	2017
Restricted assets—cash and investments used for the purchase of capital assets and long-term operating purposes	$ 43,446,962	$ 49,797,963
Designated assets—cash and investments used for the payment of self insurance claims	7,878,186	9,159,120
Designated assets—cash and investments used for long-term operating liabilities	16,872,877	7,869,155
Total restricted and designated assets	$ 68,198,025	$ 66,826,238

Note 7. Pension Plans

Each qualified Authority employee is included in one of two pension plans depending on their status as union or salaried personnel. Each plan is administered by a separate board of trustees and the assets are held in custody by certain banks.

Plan information is as follows:

Below is a summary of amounts reported by the Authority as of and for the year ended December 31, 2018:

	Union Plan	Salaried Plan	Total
Net pension liability	$ (21,117,622)	$ (6,360,820)	$ (27,478,442)
Deferred outflows of resources	6,156,278	3,802,981	9,959,259
Deferred inflows of resources	(2,376,768)	-	(2,376,768)
Pension expense	3,619,548	1,929,522	5,549,070

Below is a summary of amounts reported by the Authority as of and for the year ended December 31, 2017:

	Union Plan	Salaried Plan	Total
Net pension liability	$ (17,111,536)	$ (3,945,007)	$ (21,056,543)
Deferred outflows of resources	3,678,104	2,611,011	6,289,115
Deferred inflows of resources	(2,835,229)	(606,873)	(3,442,102)
Pension expense	2,898,012	1,139,128	4,037,140

Union Employees' Funded Pension Plan:

Plan description: The Union Plan is a single-employer defined benefit pension plan covering full-time union employees who meet the eligibility requirements of being a permanent employee (members). The Plan is administered by the Union Employees' Funded Pension Committee appointed by the Board of Commissioners of the Kansas City Area Transportation Authority (the Authority) and Division 1287, Amalgamated Transit Union, AFL-CIO (the Union).

Note 7. Pension Plans (Continued)

Basis of accounting: The Union Plan's financial information is prepared on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. The Authority's contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Administrative costs of the Union Plan are financed through investment earnings.

The following represents the Union Plan's membership as of January 1, 2018 and 2017:

	2018	2017
Active employees	493	525
Retirees and beneficiaries currently receiving benefits	230	226
Terminated employees entitled to benefits but not yet receiving them	6	7
	729	758

Contributions: Each active participant is required to contribute 3.75 percent of their eligible earnings less allowances or other amounts provided in the applicable labor agreement for each week of credited service.

The Authority is required to contribute, per the terms of the Union labor agreement, (1) 7.50 percent of eligible wages per active participant for each week of credited service and (2) an actuarially calculated recommended contribution amount covering the difference between the 7.50 percent and the calculation. The Authority is required to pay the higher of the 7.50 percent or the calculation.

Investments: The Plan's investment policy has the following asset allocation ranges permitted and the long-term expected geometric real rate of return for each major asset class:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equities	34%	5.15%
Non-US Equities	23%	5.69%
Fixed Income	36%	1.48%
Alternatives	7%	4.67%

Common collective trusts may be used for these asset classes. The policy places no limit on the amount the Plan may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are not subject to concentration of credit risk.

Net pension liability: The total pension liability was determined using an actuarial valuation date of January 1, 2018 using generally accepted actuarial principals and methods. The Authority is utilizing December 31, 2018 as its measurement date for reporting its net pension liability and related deferred inflows/outflows in their financial statements. Standard update procedures were used to roll forward the total pension liability to December 31, 2018.

Note 7. Pension Plans (Continued)

A schedule of the Authority's changes in its net pension liability for the Union Plan for the years ended December 31, 2018 and 2017 is as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2016	$ 62,732,903	$ 45,209,557	$ 17,523,346
Changes for the year:			
Service cost	1,996,043	-	1,996,043
Interest on total pension liability	4,522,438	-	4,522,438
Changes in assumptions	2,868,379	-	2,868,379
Differences between expected and actual experience	(193,109)	-	(193,109)
Contributions- employer	-	2,322,232	(2,322,232)
Contributions- employee	-	1,172,264	(1,172,264)
Net investment income	-	6,655,989	(6,655,989)
Benefit payments	(4,957,070)	(4,957,070)	-
Administrative expense	-	(363,175)	363,175
Other changes	-	(181,749)	181,749
Net changes	4,236,681	4,648,491	(411,810)
Balances at December 31, 2017	66,969,584	49,858,048	17,111,536
Changes for the year:			
Service cost	2,109,637	-	2,109,637
Interest on total pension liability	4,556,580	-	4,556,580
Differences between expected and actual experience	(1,290,395)	-	(1,290,395)
Contributions- employer	-	2,550,097	(2,550,097)
Contributions- employee	-	1,223,924	(1,223,924)
Net investment loss	-	(1,983,833)	1,983,833
Benefit payments	(3,815,708)	(3,815,708)	-
Administrative expense	-	(375,704)	375,704
Other changes	-	(44,748)	44,748
Net changes	1,560,114	(2,445,972)	4,006,086
Balances at December 31, 2018	$ 68,529,698	$ 47,412,076	$ 21,117,622
Plan fiduciary net position as a percentage of the total pension liability	69.18%		

Actuarial assumptions: The total pension liability in the January 1, 2018 actuarial valuation was determined using mortality rates based on the RP-2014 Blue Collar Combined Mortality Table with improvement scale MP-2014. The actuary used a 7.00 percent long-term rate of return, and salary increases of 4.25 percent.

Discount rate: The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan contributions from both employees and the employer will be made at the current contribution rates as determined annually by the Pension Committee in effect on the measurement date: (a) employee contribution rate of 3.75 percent of annual compensation; (b) employer contribution rate of the greater of 7.5 percent or the actuarially determined amounts per the actuarial valuation report; and (c) administrative expenses in the prior year projected forward with inflation as an estimate for administrative expenses in the current and future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 7. Pension Plans (Continued)

Sensitivity of the Authority's net pension liability to changes in the discount rate: The following presents the Authority's net pension liability calculated using the discount rate of 7.0 percent for 2018 and 2017, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability—2018	$ 27,531,369	$ 21,117,622	$ 15,603,906

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability—2017	$ 23,545,782	$ 17,111,536	$ 11,579,001

Pension expense, deferred outflows of resources and deferred inflows of resources related to pensions: For the years ended December 31, 2018 and 2017, the Authority recognized pension expense of $3,619,548 and $2,898,012, respectively. At December 31, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Union Plan from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ -	$ (2,376,768)	$ -	$ (1,576,222)
Changes of assumptions	3,115,900	-	3,678,104	-
Net difference between projected and actual earnings on pension plan investments	3,040,378	-	-	(1,259,007)
Total deferred amounts to be recognized in pension expense in future periods	$ 6,156,278	$ (2,376,768)	$ 3,678,104	$ (2,835,229)

Note: Changes of assumptions—In the January 1, 2017 actuarial valuation, the discount rate was decreased from 7.5 percent to 7.0 percent, resulting in a $2,868,379 increase in the total pension liability.

Note 7. Pension Plans (Continued)

Deferred inflows and outflows of resources related to the difference between expected and actual plan experience and assumption changes are being amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of the measurement period. The deferred outflows related to the difference between expected and actual investment earnings is being amortized over a closed 5-year period as of the beginning of the measurement period. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:	
2019	$ 1,230,915
2020	438,836
2021	496,104
2022	1,163,946
2023	343,243
Thereafter	106,466
	$ 3,779,510

Salaried Employees' Pension Plan:

Plan description: The Plan is a single-employer defined benefit pension plan covering full-time salaried employees who meet the eligibility requirement of one year of continuous employment as an Employee (or at least one year of continuous employment as an employee of the Authority with at least six consecutive months of such employment as an Employee). The Plan is administered by the Salaried Pension Committee appointed by the Board of Commissioners of the Kansas City Area Transportation Authority (the Authority.) The Plan is a pension trust fund of the Authority. The Plan allows employee rollover contributions from the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan (Union Plan).

Basis of accounting: The Salaried Plan's financial information is prepared on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. The Authority's contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Administrative costs of the Salaried Plan are financed through investment earnings.

The following represents the Salaried Plan's membership as of January 1, 2018 and 2017:

	2018	2017
Active employees	103	109
Retirees and beneficiaries currently receiving benefits	55	50
Terminated employees entitled to benefits but not yet receiving them	13	12
	171	171

Contributions: Employer contributions are subject to annual appropriation by the Authority. The only employee contributions allowed are rollovers from the Union Plan sponsored by the Authority. The Plan receives an annual actuarial valuation for the purpose of determining the recommended contribution rates.

Note 7. Pension Plans (Continued)

Investments: The Plan's investment policy has the following asset allocation ranges permitted, and the long-term expected geometric real rate of return for each major asset class.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equity	30%	5.40%
Mid Cap Domestic Equity	11%	5.40%
Small Cap Domestic Equity	8%	5.40%
International Equity	16%	5.60%
Fixed income	30%	1.55%
Other	2%	3.25%
Cash	3%	2.30%

Mutual funds may be used for these asset classes. The policy places no limit on the amount the Plan may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are not subject to concentration of credit risk.

Rate of return: For the years ended December 31, 2018 and 2017, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense was -6.05 percent and 15.68 percent, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability: The total pension liability was determined using an actuarial valuation date of January 1, 2018 using generally accepted actuarial principals and methods. The Authority is utilizing December 31, 2018 as its measurement date for reporting its net pension liability and related deferred inflows/outflows in their financial statements. Standard update procedures were used to roll forward the total pension liability to December 31, 2018.

Note 7. Pension Plans (Continued)

A schedule of the Authority's changes in its net pension liability for the Salaried Plan for the years ended December 31, 2018 and 2017 is as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2016	$ 20,555,598	$ 16,486,540	$ 4,069,058
Changes for the year:			
Service cost	554,860	-	554,860
Interest on total pension liability	1,466,353	-	1,466,353
Changes in assumptions	903,754	-	903,754
Differences between expected and actual experience	877,084	-	877,084
Contributions- employer	-	1,256,289	(1,256,289)
Net investment income	-	2,558,624	(2,558,624)
Benefit payments	(2,045,437)	(2,045,437)	-
Administrative expense	-	(70,560)	70,560
Other changes	-	181,749	(181,749)
Net changes	1,756,614	1,880,665	(124,051)
Balances at December 31, 2017	22,312,212	18,367,205	3,945,007
Changes for the year:			
Service cost	695,574	-	695,574
Interest on total pension liability	1,515,929	-	1,515,929
Differences between expected and actual experience	379,181	-	379,181
Contributions- employer	-	1,312,552	(1,312,552)
Net investment loss	-	(1,110,631)	1,110,631
Benefit payments	(1,334,736)	(1,334,736)	-
Administrative expense	-	(74,239)	74,239
Other changes	-	47,189	(47,189)
Net changes	1,255,948	(1,159,865)	2,415,813
Balances at December 31, 2018	$ 23,568,160	$ 17,207,340	$ 6,360,820
Plan fiduciary net position as a percentage of the total pension liability	73.01%		

Actuarial assumptions: The total pension liability in the January 1, 2018 actuarial valuation was determined using mortality rates based on the RP2014 total mortality table with 2014 intermediate assumption Social Security improvement scale. The actuary used a 7.0 percent long-term rate of return, and salary increases of 4.00 percent.

Discount rate: The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. The projection also assumed employee contributions were none, and administrative expenses for the current and future years were assumed to be $45,000, projected forward with price inflation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 7. Pension Plans (Continued)

Sensitivity of the Authority's net pension liability to changes in the discount rate: The following presents the Authority's net pension liability calculated using the discount rate of 7.0 percent for 2018 and 2017, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability—2018	$ 8,419,153	$ 6,360,820	$ 4,575,148

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability—2017	$ 5,956,772	$ 3,945,007	$ 2,197,784

Pension expense and deferred outflows of resources related to pensions: For the years ended December 31, 2018 and 2017, the Authority recognized pension expense of $1,929,522 and $1,139,128, respectively. At December 31, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Salaried Plan pension from the following sources:

	2018	2017	
	Deferred Outflows of Resources	Deferred Outflows of Resources	Deferred Outflows of Resources
Differences between expected and actual plan experience	$ 1,426,879	$ 1,391,140	$ -
Changes of assumptions	1,027,159	1,219,871	-
Net difference between projected and actual earnings on pension plan investments	1,348,943	-	(608,873)
Total deferred amounts to be recognized in pension expense in future periods	$ 3,802,981	$ 2,611,011	$ (608,873)

Note: Changes of assumptions—In the January 1, 2017 actuarial valuation, the long-term rate of return assumption was decreased from 7.5 percent to 7.0 percent, resulting in a $903,754 increase in the total pension liability.

Note 7. Pension Plans (Continued)

Deferred outflows of resources related to the difference between expected and actual plan experience and assumption changes are being amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of the measurement period. The deferred outflows related to the difference between expected and actual investment earnings is being amortized over a closed 5-year period as of the beginning of the measurement period. Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:	
2019	$ 974,977
2020	759,390
2021	744,107
2022	866,660
2023	387,726
Thereafter	70,121
	$ 3,802,981

The union employees' pension plan and salaried employees' pension plan issue their own stand-alone financial reports. Copies may be requested from the Kansas City Area Transportation Authority, 1200 East 18th Street, Kansas City, Missouri 64108.

Note 8. Other Postemployment Benefits (OPEB)

As a result of the adoption of GASB Statement No. 75, the beginning net position of the business-type activities was restated. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The net OPEB obligation recorded in accordance with GASB Statement No. 45 was removed and the total OPEB liability was recorded in accordance with GASB Statement No. 75. The effect on the beginning net position is as follows:

Net position January 1, 2018, as previouly reported	$132,627,627
Total OPEB liability	(12,944,396)
Removal of net OPEB obligation	4,264,597
Net position January 1, 2018, as restated	$123,947,828

The financial statement amounts for fiscal year 2017 OPEB obligation, OPEB expense and deferred inflows/outflows of resources were not restated because this information was not available.

Plan description: The Authority's defined benefit OPEB plan, a single-employer health care plan, provides the same medical and pharmacy benefits to active employees as it does to eligible early retirees and their spouses. The plan is administered by the Authority and the Authority has the authority to establish or amend the plan provisions or contribution requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a stand-alone financial report.

Benefits provided: Employees who have attained age 55 and retire from active employment with 15 consecutive years of service are eligible for retiree benefits. Eligible retirees and their dependents receive medical and pharmacy benefits through a fully-insured plan. These are the same plans that are available for active employees. The Authority also provides a life insurance benefit of $1,000 to each retiree.

Note 8. Other Postemployment Benefits (OPEB) (Continued)

Contributions: The Authority establishes and amends contribution requirements. Currently, retirees less than age 65 pay 10 percent of active premium rates, while the Authority contributes 90 percent. Retirees equal to or greater than age 65 pay 100 percent of the premium rates paid by active employees. Spouses pay 100 percent of the active premium rates. The current funding policy of the Authority is to pay premiums as they occur on a pay-as-you-go basis.

Employees covered by benefit terms: At January 1, 2018, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	360
Inactive employees entitled to but not yet receiving benefits	-
Active employees	698
	1,058

Total OPEB liability: The Authority's total OPEB liability of $12,857,805 was measured as of December 31, 2018, and was determined by an actuarial valuation as of January 1, 2018. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018.

Actuarial methods and assumptions: The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.5%
Discount rate	4.10%–measurement date 3.44%–year preceding measurement date
Health care cost trend rates	7.87% decreasing to 5.0%
Retirees' share of benefit-related costs	10%
Mortality rates	SOA RP-2014 Total Dataset Mortality with Scale MP-2017

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20 year AA municipal bond rate.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of December, 2017	$ 12,944,396
Changes for the year:	
Service cost	849,282
Interest	433,714
Changes in assumptions or other inputs	(688,874)
Difference between actual and expected experience	(7,871)
Contributions and payments made	(672,842)
Net changes	(86,591)
Balance as of December 31, 2018	$ 12,857,805

Note 8. Other Postemployment Benefits (OPEB) (Continued)

Note: Changes of assumptions—The discount rate was changed from 3.44 percent at the beginning of the year to 4.10 percent at the end of the year, the actuarial method changed from *Projected Unit Credit* to *Entry-Age-Normal as a Percentage of Salary*, mortality assumption changed from RP-2000 Projected 10 Years using Projected Scale AA to SOA RP-2014 Total Dataset Mortality with Scale MP-2017, and the medical trend rate was updated to reflect actual experience. This resulted in a $688,874 decrease in the total OPEB liability.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's approximate total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.10 percent) or 1-percentage-point higher (5.10 percent) than the current discount rate:

	1% Decrease 3.10%	Discount Rate 4.10%	1% Increase 5.10%
Total OPEB liability	$ 13,823,242	$ 12,857,805	$ 11,983,626

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.87 percent decreasing to 4 percent) or 1-percentage-point higher (8.87 percent decreasing to 6 percent) than the current healthcare cost trend rates:

	(6.87% Decreasing to 4.00%)	Health Care Cost Trend Rates (7.87% Decreasing to 5.00%)	(8.87% Decreasing to 6.00%)
Total OPEB liability	$ 11,518,608	$ 12,857,805	$ 14,441,389

OPEB expense and deferred inflows of resources related to OPEB: For the year ended December 31, 2018, the Authority recognized OPEB expense of $1,188,985. At December 31, 2018, the Authority reported and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,809
Changes of assumptions or other inputs	595,925
	$ 602,734

Note 8. Other Postemployment Benefits (OPEB) (Continued)

Amounts reported as the deferred inflows of resources related to OPEB will be recognized in OPEB expense over the average remaining service lives of plan participants (actives and retirees) as follows:

Years ending December 31:	
2019	$ 94,011
2020	94,011
2021	94,011
2022	94,011
Thereafter	226,690
	$ 602,734

Note 9. Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under the Authority's risk management program, the Authority retains up to a maximum of $600,000 per occurrence ($1,500,000 aggregate retention) for workers' compensation and $2,000,000 per occurrence for vehicular liability. The Authority purchases commercial insurance for claims in excess of the maximum under an umbrella policy and purchases commercial insurance for employee health insurance.

A provision for claims expense and related liability is established when information available prior to the issuance of the basic financial statements indicates it is probable a liability has been incurred and the amount of the loss can be reasonably estimated.

Changes in the estimated liability for claims during 2018 and 2017 are as follows:

	2018	2017
Beginning balance	$ 5,582,559	$ 6,696,674
Claims expense	1,753,961	1,187,635
Claims payments and adjustments	(2,686,078)	(2,301,750)
Ending balance	$ 4,650,442	$ 5,582,559

The Authority has established a Board-designated cash and investment account, which is available to pay such claims. The level of funding is determined based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. Designated assets available to pay claims were $7,878,186 and $9,159,120 as of December 31, 2018 and 2017, respectively.

In addition to these designated assets, the Authority maintains a letter of credit, which has been renewed through 2019, as collateral for the payment of self-insurance claims. As of December 31, 2018 and 2017, the amount available to the Authority on this letter of credit was $1,372,000 and $1,304,000, respectively. There were no draws on the letter of credit in fiscal years 2018 and 2017.

The excess of designated assets available for payment of these claims over the recorded liability was $3,227,744 and $3,576,561 as of December 31, 2018 and 2017, respectively.

Note 10. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation plan is not available to employees until termination, retirement, death or unforeseeable emergency. The plan was amended to comply with IRC Section 457(g) which allowed the plan to hold its assets in trust. Under these requirements, the assets of the plan are not subject to the creditors of the Authority and the liability and corresponding investments are not reflected in the financial statements.

Note 11. Commitments and Contingencies

Pending/threatened litigation: The Authority is involved in lawsuits, claims and grievances arising in the normal course of business, including claims for personal injury and personnel practices, property damage and disputes over eminent domain proceedings. In the opinion of the General Counsel to the Authority, payment of claims by the Authority, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority's financial position.

Grants: The Kansas City Area Transportation Authority obtains financial assistance from various federal and state agencies in the forms of grants and entitlements. These programs are subject to audit by agents of the granting authority. Management does not believe that liabilities for reimbursements, if any, will have a materially adverse effect upon the financial condition of the Authority.

Purchase commitments as of December 31, 2018:

The Authority has committed to purchase the following:

1) $24,487,690 in construction projects;
2) $12,605,129 for property/casualty insurance and employee health insurance/benefits;
3) $176,103 legal services;
4) $11,735,051 miscellaneous materials;
5) $3,941,921 in services;
6) $589,277 in Software subscriptions and annual maintenance agreements; and
7) $978,569 for equipment,

KCATA's legal services and A&E Professional Services are procured on an "as needed" basis with an annual "not to exceed" contract amount.

Rock Island Railroad Corridor Project: The Authority and Jackson County, Missouri have forged a partnership for the acquisition and public use of the 17.7 mile railroad corridor running from near the Truman Sports Complex through Raytown and into Lee's Summit into southern Jackson County (the County).

Jackson County will be constructing a shared use pathway for walking/biking for transportation purposes. The Authority will study the appropriate future transit option for the corridor as well as TOD (Transit Oriented Development) opportunities for economic development at key location along the corridor.

The Rock Island Corridor was purchased from Union Pacific for $52 million by the County in partnership with the Authority with annual debt service for the cost of acquisition funded on 50/50 basis. The funding agreement requires the Authority to reimburse the County for 50 percent of the annual debt service payment of approximately $1.4 million each year for 30 years through 2046.

Note 11. Commitments and Contingencies (Continued)

Key dates for the project:

- September 2015 the Authority and the County enter into a Cooperative Agreement for funding the purchase of Rock Island.
- April 2016 Jackson Legislature approves issuance of Bonds to purchase the Corridor.
- May 2016 Jackson County closes the purchase transaction.
- January 2017 the County and the Authority enter a Cooperative Agreement for the Maintenance and Operations of the RIRR Corridor.

Under Section 8 of the Cooperative Agreement approved by the Authority Board on September 30, 2015:

The Authority retains the exclusive right to purchase the rail corridor ROW excluding the Trail for purposes of constructing and operating a Multi-Modal Corridor Project. Should County bonds issued for the purchase be outstanding at the time purchase occurs, the Authority will assume responsibility of that outstanding debt.

At this time, there are no plans to exercise this option in the near future.

These commitments will be paid with federal, state or local grants and funding.

Prospect MAX Bus Rapid Transit (BRT) Project: The Authority, in partnership with the City of Kansas City, Missouri, is implementing a plan for enhanced transit service along Kansas City's Prospect Avenue corridor. The ten-mile Prospect Avenue Corridor is a key urban commercial arterial and residential street that parallels US 71. Prospect MAX will operate along 11th and 12th Streets into the downtown area and connect with the downtown Streetcar line. The two new mobility hubs will include options like paratransit connections, bikeshare, scooters and connections to other local routes.

Benefits of MAX service
- Improved faster service with fewer stops
- Improved streets and sidewalks
- 10-minute service intervals
- Enhanced passenger stations with attractive, well-lit shelters
- New technologies

Key Dates
- August 2015 FTA Approval for Entry into Project Development
- April 2017 KCATA / City of Kansas City, Missouri cooperative agreement signed
- April 2017 Environmental Clearance
- April 2018 FTA Single Year Grant Agreement Executed
- November 2019 Complete Construction
- December 2019 Begin Prospect MAX BRT Service

Project costs for the Prospect MAX is estimated to be $55.8 million, with $38 million in Federal funds and $17.8 million in local matching funds ($12.5 million from KCMO and $5.3 million from KCATA.) Capital improvements include 48 new MAX stations, two transit centers, 12 BRT compressed natural gas (CNG) buses and pedestrian safety and access improvements such as new sidewalk and pedestrian traffic signal upgrades.

Note 12. Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements not yet required to be implemented by the Authority:

GASB Statement No. 84, *Fiduciary Activities*, issued February 2017, will be effective for the Authority beginning with its fiscal year ending December 31, 2019. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets.

GASB Statement No. 87, *Leases 2017*, issued June 2017, will be effective for the Authority beginning with its fiscal year ending December 31, 2020. Statement No. 87 is designed to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Authority has not yet determined the effect these Statements will have on the Authority's financial statements.

Kansas City Area Transportation Authority

Required Supplementary Information—Salaried Employees Pension Plan
Schedule of Changes in Net Pension Liability
For the Last Five Fiscal Years

	2018	2017
Total Pension Liability		
Service cost	**$ 695,574**	$ 554,860
Interest on total pension liability	**1,515,929**	1,466,353
Difference between expected and actual experience	**379,181**	877,084
Changes in assumptions	**-**	903,754
Benefit payments including refunds of member contributions	**(1,334,736)**	(2,045,437)
Net change in total pension liability	**1,255,948**	1,756,614
Total pension liability, beginning of year	**22,312,212**	20,555,598
Total pension liability, end of year	**$ 23,568,160**	$ 22,312,212
Plan Fiduciary Net Position		
Contributions, employer	**$ 1,312,552**	$ 1,256,289
Contributions, employee	**-**	-
Net investment income (loss)	**(1,110,631)**	2,558,624
Benefit payments including refunds of member contributions	**(1,334,736)**	(2,045,437)
Administrative expenses	**(74,239)**	(70,560)
Other (transfers)	**47,189**	181,749
Net change in plan fiduciary net position	**(1,159,865)**	1,880,665
Plan fiduciary net position, beginning of year	**18,367,205**	16,486,540
Plan fiduciary net position, end of year	**$ 17,207,340**	$ 18,367,205
Net Pension Liability	**$ 6,360,820**	$ 3,945,007

Information prior to 2014 is unavailable.

2016	2015	2014
$ 471,547	$ 398,735	$ 393,564
1,375,401	1,349,207	1,267,046
890,536	65,236	-
-	636,032	-
(1,022,654)	(995,727)	(1,547,409)
1,714,830	1,453,483	113,201
18,840,768	17,387,285	17,274,084
$ 20,555,598	$ 18,840,768	$ 17,387,285
$ 754,000	$ 750,000	$ 860,445
-	-	-
1,060,105	94,531	925,775
(1,022,654)	(995,727)	(1,547,409)
(28,313)	(39,208)	(31,415)
113,455	41,178	27,314
876,593	(149,226)	234,710
15,609,947	15,759,173	15,524,463
$ 16,486,540	$ 15,609,947	$ 15,759,173
$ 4,069,058	$ 3,230,821	$ 1,628,112

Kansas City Area Transportation Authority

Required Supplementary Information—Union Employees Pension Plan
Schedule of Changes in Net Pension Liability
For the Last Five Fiscal Years

	2018	2017
Total Pension Liability		
Service cost	**$ 2,109,637**	$ 1,996,043
Interest on total pension liability	**4,556,580**	4,522,438
Difference between expected and actual experience	**(1,290,395)**	(193,109)
Changes in assumptions	**-**	2,868,379
Benefit payments including refunds of member contributions	**(3,815,708)**	(4,957,070)
Net change in total pension liability	**1,560,114**	4,236,681
Total pension liability, beginning of year	**66,969,584**	62,732,903
Total pension liability, end of year	**$ 68,529,698**	$ 66,969,584
Plan Fiduciary Net Position		
Contributions, employer	**$ 2,550,097**	$ 2,322,232
Contributions, employee	**1,223,924**	1,172,264
Net investment income (loss)	**(1,983,833)**	6,655,989
Benefit payments including refunds of member contributions	**(3,815,708)**	(4,957,070)
Administrative expenses	**(375,704)**	(363,175)
Other (transfers)	**(44,748)**	(181,749)
Net change in plan fiduciary net position	**(2,445,972)**	4,648,491
Plan fiduciary net position, beginning of year	**49,858,048**	45,209,557
Plan fiduciary net position, end of year	**$ 47,412,076**	$ 49,858,048
Net Pension Liability	**$ 21,117,622**	$ 17,111,536

Information prior to 2014 is unavailable.

2016	2015	2014
$ 1,894,701	$ 1,823,167	$ 1,657,267
4,524,248	4,483,228	4,199,534
(1,896,192)	(77,383)	-
-	1,676,801	-
(4,151,286)	(3,796,329)	(3,882,725)
371,471	4,109,484	1,974,076
62,361,432	58,251,948	56,277,872
$ 62,732,903	$ 62,361,432	$ 58,251,948
$ 2,530,180	$ 2,436,703	$ 2,490,987
1,138,310	1,103,227	1,083,747
3,453,539	(677,912)	2,463,634
(4,151,286)	(3,796,329)	(3,882,574)
(333,039)	(77,356)	(62,062)
(113,455)	(61,563)	(27,314)
2,524,249	(1,073,230)	2,066,418
42,685,308	43,758,538	41,692,120
$ 45,209,557	$ 42,685,308	$ 43,758,538
$ 17,523,346	$ 19,676,124	$ 14,493,410

Kansas City Area Transportation Authority

Required Supplementary Information—Salaried Employees Pension Plan
Schedule of Net Pension Liability and Related Ratios
For the Last Five Fiscal Years

	2018	2017
Total pension liability, end of year	**$ 23,568,160**	$ 22,312,212
Plan fiduciary net position, end of year	**17,207,340**	18,367,205
Net pension liability	**$ 6,360,820**	$ 3,945,007
Plan fiduciary net position as a percentage of the total pension liability	**73.01%**	82.32%
Covered payroll	**$ 8,728,639**	$ 7,902,132
Net pension liability as a percentage of covered payroll	**72.87%**	49.92%

Information prior to 2014 is unavailable.

2016	2015	2014
$ 20,555,598	$ 18,840,768	$ 17,387,285
16,486,540	15,609,947	15,759,173
$ 4,069,058	$ 3,230,821	$ 1,628,112
80.20%	82.85%	90.64%
$ 6,795,068	$ 6,076,318	$ 5,761,978
59.88%	53.17%	28.26%

Kansas City Area Transportation Authority

Required Supplementary Information—Union Employees Pension Plan
Schedule of Net Pension Liability and Related Ratios
For the Last Five Fiscal Years

	2018	2017
Total pension liability, end of year	**$ 68,529,698**	$ 66,969,584
Plan fiduciary net position, end of year	**47,412,076**	49,858,048
Net pension liability	**$ 21,117,622**	$ 17,111,536
Plan fiduciary net position as a percentage of the total pension liability	**69.18%**	74.45%
Covered payroll	**$ 32,198,194**	$ 30,963,093
Net pension liability as a percentage of covered payroll	**65.59%**	55.26%

Information prior to 2014 is unavailable.

2016	2015	2014
$ 62,732,903	$ 62,361,432	$ 58,251,948
45,209,557	42,685,308	43,758,538
$ 17,523,346	$ 19,676,124	$ 14,493,410
72.07%	68.45%	75.12%
$ 30,780,779	$ 28,631,221	$ 27,122,786
56.93%	68.72%	53.44%

Kansas City Area Transportation Authority

Required Supplementary Information—Pension Plans
Schedule of Employer Contributions
For the Last Ten Fiscal Years

Salaried Employees Pension Plan

Year Ended December 31,	Annual Recommended Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2009	$ 811,286	$ 860,000	$ (48,714)	$ 6,141,909	14.00%
2010	854,001	860,000	(5,999)	6,145,730	13.99
2011	806,145	900,000	(93,855)	6,235,887	14.43
2012	881,559	900,000	(18,441)	6,344,517	14.19
2013	860,445	945,000	(84,555)	6,005,404	15.74
2014	748,911	860,445	(111,534)	5,761,978	14.93
2015	793,573	750,000	43,573	6,076,318	12.34
2016	931,915	754,000	177,915	6,795,068	11.10
2017	1,226,529	1,256,289	(29,760)	7,902,132	15.90
2018	1,312,552	1,312,552	-	8,728,639	15.04

Union Employees Pension Plan

Year Ended December 31,	Annual Recommended Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2009	$ 2,422,138	$ 2,882,344	$ (460,206)	$ 27,443,885	10.50%
2010	2,370,772	2,062,572	308,200	27,712,152	7.44
2011	2,441,900	2,051,196	390,704	28,258,875	7.26
2012	2,348,733	2,090,240	258,493	27,573,796	7.58
2013	2,161,149	2,050,024	111,125	26,890,312	7.62
2014	2,210,419	2,490,987	(280,568)	27,122,786	9.18
2015	2,436,703	2,436,703	-	28,631,221	8.51
2016	2,530,180	2,530,180	-	30,780,779	8.22
2017	2,322,232	2,322,232	-	30,963,093	7.50
2018	2,550,097	2,550,097	-	32,198,194	7.92

The information presented in the required supplementary schedules was determined as part of the January 1, 2018 actuarial valuation. Additional information follows:

	Salaried Employees Pension Plan	Union Employees Pension Plan
1. Cost method	Entry age normal	Entry age normal
2. Long-term rate of return	7.0%	7.0%
3. Salary increases	4.0%	4.25%
4. Amortization method	Level dollar, Closed	Level amount, Open
5. Remaining amortization period	15 years	30 years

Kansas City Area Transportation Authority

Required Supplementary Information—Salaried Pension Plan
Schedule of Investment Returns
For the Last Five Fiscal Years

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	(6.05)%	15.68%	6.91%	1.00%	6.16%

Information prior to 2014 is unavailable.

Kansas City Area Transportation Authority

Required Supplementary Information
Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios

		2018
Total OPEB liability		
Service cost	$	849,282
Interest		433,714
Changes of benefit terms		-
Differences between expected and actual experience		(7,871)
Changes of assumptions or other inputs		(688,874)
Benefit payments		(672,842)
Net change in total OPEB liability		(86,591)
Total OPEB liability—beginning		12,944,396
Total OPEB liability—ending	$	12,857,805
Covered payroll		39,471,554
Total OPEB liability as a percentage of covered payroll		32.57%

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	3.44%
2018	4.10%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Kansas City Area Transportation Authority

Combining Statement of Net Position, by Division
December 31, 2018

	Fixed Transit	RideKC Freedom	Total
Assets			
Current assets:			
Cash and investments	$ 710,639	$ -	$ 710,639
Intercompany	(435,205)	435,205	-
Accounts receivable	341,084	21,894	362,978
Due from other governments:			
Local governments	3,231,258	58,071	3,289,329
State governments	296,008	151,352	447,360
Federal government	6,517,687	402,770	6,920,457
Materials and supplies	1,594,882	-	1,594,882
Prepaid expenses and other assets	1,147,933	-	1,147,933
Designated cash and investments	2,961,870	-	2,961,870
Total current assets	16,366,156	1,069,292	17,435,448
Noncurrent assets:			
Restricted cash and investments	43,446,962	-	43,446,962
Designated cash and investments	21,789,193	-	21,789,193
Capital assets:			
Land and other nondepreciable assets	29,606,287	-	29,606,287
Other depreciable capital assets, net of depreciation	91,724,935	-	91,724,935
Total noncurrent assets	186,567,377	-	186,567,377
Total assets	202,933,533	1,069,292	204,002,825
Deferred outflows of resources, pension related amounts	9,959,259	-	9,959,259

See note to other supplementary information.

	Fixed Transit	RideKC Freedom	Total
Liabilities			
Current liabilities:			
Accounts payable	$ 5,704,203	$ 1,027,353	$ 6,731,556
Accrued liabilities:			
Payroll and benefits	1,790,187	8,866	1,799,053
Compensated absences	3,520,946	24,135	3,545,081
Other	58,345	-	58,345
Liabilities payable from designated assets:			
Public liability and property damage	1,439,196	-	1,439,196
Workers' compensation claims	1,522,674	-	1,522,674
Unearned revenue	8,877,110	-	8,877,110
Unearned revenue	2,492,749	-	2,492,749
Total current liabilities	25,405,410	1,060,354	26,465,764
Noncurrent liabilities:			
Liabilities payable from designated assets:			
Public liability and property damage	659,767	-	659,767
Workers' compensation claims	1,028,805	-	1,028,805
Total other postemployment benefits liability	12,857,805	-	12,857,805
Net pension liability	27,478,442	-	27,478,442
Compensated absences	1,252,925	8,588	1,261,513
Total noncurrent liabilities	43,277,744	8,588	43,286,332
Total liabilities	68,683,154	1,068,942	69,752,096
Deferred inflows of resources:			
Deferred inflows of resources, OPEB related amounts	602,734	-	602,734
Deferred inflows of resources, pension related amounts	2,376,768	-	2,376,768
Total deferred inflows of resources	2,979,502	-	2,979,502
Net position			
Investment in capital assets	121,331,222	-	121,331,222
Restricted, capital and operating purposes	43,446,962	-	43,446,962
Unrestricted	(23,548,048)	350	(23,547,698)
Total net position	$ 141,230,136	$ 350	$ 141,230,486

Kansas City Area Transportation Authority

Combining Statement of Revenues, Expenses and Changes in Net Position, by Division
Year Ended December 31, 2018

	Fixed Transit	RideKC Freedom	Total
Operating revenues:			
Passenger	$ 8,259,194	$ 1,178,160	$ 9,437,354
Charter and stadium express	2,438	-	2,438
Advertising	358,490	-	358,490
Total operating revenues	8,620,122	1,178,160	9,798,282
Operating expenses:			
Transportation	37,361,001	10,068,398	47,429,399
Maintenance	26,447,255	-	26,447,255
Public liability and property damage claims	737,827	-	737,827
General and administrative	18,554,026	1,668,800	20,222,826
Depreciation and amortization expense	11,989,264	-	11,989,264
Total operating expenses	95,089,373	11,737,198	106,826,571
Operating loss	(86,469,251)	(10,559,038)	(97,028,289)
Nonoperating revenues (expenses):			
Operating funding:			
Local governments	60,053,816	7,539,604	67,593,420
State government	333,092	77,192	410,284
Federal government	10,110,939	2,941,992	13,052,931
Federal grant revenue received for subrecipients	2,207,891	-	2,207,891
Federal funds passed through to subrecipients	(2,207,891)	-	(2,207,891)
Federal grant revenue, received on behalf of others	5,431,213	-	5,431,213
Federal funds spent on behalf of others	(5,431,213)	-	(5,431,213)
Federal grant revenue received for project	2,499,391	-	2,499,391
Federal funds passed through for project	(2,499,391)	-	(2,499,391)
Investment income	1,143,778	-	1,143,778
Debt service reimbursement to Jackson County	(1,401,972)	-	(1,401,972)
Gain on disposition of capital assets	(175,605)	-	(175,605)
Rental and other nonoperating income	1,897,710	250	1,897,960
Total nonoperating revenues	71,961,758	10,559,038	82,520,796
Decrease in net position before capital funding	(14,507,493)	-	(14,507,493)
Capital related grants and funding	31,790,151	-	31,790,151
Change in net position	17,282,658	-	17,282,658
Net position, beginning of year	123,947,478	350	123,947,828
Net position, end of year	$ 141,230,136	$ 350	$ 141,230,486

See note to other supplementary information.

Kansas City Area Transportation Authority

Note to Other Supplementary Information

In addition to the basic financial statements, the Kansas City Area Transportation Authority presents a combining statement of net position and a combining statement of revenues, expenses and changes in net position for its two divisions. A brief explanation of these divisions is as follows:

Fixed Transit: This is the main operating division of the Authority which accounts for mass transit operations.

RideKC Freedom: This operating division accounts for the activities of the Authority's para-transit program, which is primarily devoted to the transport of elderly and disabled Americans.

RSM